



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0578	Title:	Revise bonding authority and volume cap
Primary Sponsor:	Musgrove, John L	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$18,798	\$18,798	\$18,798	\$18,798
Net Impact-General Fund Balance	<u>\$18,798</u>	<u>\$18,798</u>	<u>\$18,798</u>	<u>\$18,798</u>

Description of Fiscal Impact:

HB 578 revises the state's bonding authority, volume cap, definition of state issuer, and increases the charge for funding audits, provides that state issuers are subject to public participation and right to know statutes, and clarifies access of the Legislative Auditor to the financial records of state issuers.

FISCAL ANALYSIS

Assumptions:

Department of Administration (DoA)

1. The three year average of bond issuance fees for FY 2004, FY 2005, and FY 2006 is \$112,768.
2. An increase from 30 cents per thousand to 35 cents per thousand is a 16.67% increase.
3. Applying the 16.67% increase to the three year average results in a general fund revenue increase of \$18,798 each year, assuming the level of debt issuance remains constant.

Office of the Commissioner of Higher Education (OCHE)

4. The definition of state issuer has been expanded to include any subsidiaries of, affiliates of, or other entity that manages or services Montana Higher Education Student Assistance Corporation (MHESAC) contracts related to bonds issued under this part.
5. Section 2 of the bill would require state issuers to comply with the public participation and right to know in government operations.

6. The fiscal impact to the OCHE is unknown but it is reasonable to expect that there will be additional costs associated with managing contracts that require private entities doing business with the state to comply with the provisions of Title 2, chapter3, in all proceedings.

Department of Commerce (DOC)

7. The Facility Finance Authority (FFA) issues private activity bonds. The increased audit fees proposed in HB 578 would be assessed to and paid by the borrowers (private entities) through the costs of issuance. The cost would increase the total cost of borrowing. The FFA currently can issue \$250 million of bonds per biennium. Under HB 578 that would generate \$87,500 in audit fees ($250,000 * .35 \text{ cents} = \$87,500$) which represents an additional cost of \$12,500 per biennium.
8. Increased audit fees proposed in HB 578, along with other cost of issuance fees are paid by the trustee for the bonds and are a part of each bond issue. These fees are not a budgeted line item for state budgeting purposes so the increased audit fees would not have a fiscal impact on the Board of Housing. HB 578 does have an effect on the cost of each bond issue but it is anticipated this increase would be minimal. For example, if new bonds were issued for \$200 million the additional audit fee would be \$10,000.
9. Private activity bonds issued by the Board of Investments BOI would be affected by HB 578, however the BOI acts as the conduit issuer for these types of bonds and any and all costs incurred, including the required state audit fee, are paid by the borrower (private entity). Therefore this bill would not have a fiscal impact on BOI. The last time BOI issued private activity bonds was in 2002. BOI also issues bonds for the INTERCAP Program and the Qualified Zone Academy Bond Program. Costs of issuing these bonds are also paid by the borrowers. BOI will be issuing \$15 million for its INTERCAP Program in March 2007. The additional audit fee for a \$15 million bond issue would be \$750.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
DOA				
<u>Revenues:</u>				
General Fund (01)	\$18,798	\$18,798	\$18,798	\$18,798
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$18,798	\$18,798	\$18,798	\$18,798

Sponsor's Initials

Date

Budget Director's Initials

Date